

**REPORT OF THE AUDIT OF THE
CASEY COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2012**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CASEY COUNTY FISCAL COURT

June 30, 2012

The Auditor of Public Accounts has completed the audit of the Casey County Fiscal Court for fiscal year ended June 30, 2012.

We have issued unqualified opinions, based on our audit on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Casey County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$14,232,331 as of June 30, 2012. The fiscal court had unrestricted net assets of \$1,509,888 in its governmental activities as of June 30, 2012, with total net assets of \$14,100,756. In its business-type activities, total net cash and cash equivalents were \$124,043 with total net assets of \$131,575. The fiscal court had total debt principal as of June 30, 2012 of \$7,667,031 with \$286,050 due within the next year.

Report Comments:

- 2012-01 The Fiscal Court Should Review And Update County Administrative Code Annually
- 2012-02 The Fiscal Court Should Improve Purchase And Procurement Procedures
- 2012-03 The Jail Canteen Lacks Adequate Segregation Of Duties
- 2012-04 The Jailer Should Prepare An Accurate Annual Jail Canteen Financial Report
- 2012-05 The Jailer Should Maintain Accurate Accounting Records For The Jail Canteen Account
- 2012-06 Internal Controls Over Jail Canteen Disbursements Should Be Strengthened
- 2012-07 The Fiscal Court Should Not Pay The Dog Warden's Salary In Addition To Contract Labor Costs
- 2012-08 The Fiscal Court Should Maintain Proper Records For The Public Properties Corporation Judicial Center Fund
- 2012-09 The Fiscal Court Should Strengthen Internal Controls Over Payroll
- 2012-10 Internal Controls Over Updating And Maintaining Capital Asset Additions List Should Be Strengthened And Insurance Policy Should Be Updated

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Ronald D. Wright, Casey County Judge/Executive
Members of the Casey County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Casey County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Casey County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Casey County, Kentucky's basic financial statements as a whole. The combining fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial information. The combining fund financial statements have been subjected to the auditing procedures



To the People of Kentucky
 Honorable Steven L. Beshear, Governor
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applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole. The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2013 on our consideration of Casey County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2012-01 The Fiscal Court Should Review And Update County Administrative Code Annually
- 2012-02 The Fiscal Court Should Improve Purchase And Procurement Procedures
- 2012-03 The Jail Canteen Lacks Adequate Segregation Of Duties
- 2012-04 The Jailer Should Prepare An Accurate Annual Jail Canteen Financial Report
- 2012-05 The Jailer Should Maintain Accurate Accounting Records For The Jail Canteen Account
- 2012-06 Internal Controls Over Jail Canteen Disbursements Should Be Strengthened
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- 2012-09 The Fiscal Court Should Strengthen Internal Controls Over Payroll
- 2012-10 Internal Controls Over Updating And Maintaining Capital Asset Additions List Should Be Strengthened And Insurance Policy Should Be Updated

Respectfully submitted,



Adam H. Edelen
 Auditor of Public Accounts

February 1, 2013

CASEY COUNTY OFFICIALS

For The Year Ended June 30, 2012

Fiscal Court Members:

Ronald D. Wright	County Judge/Executive
David Phelps	Magistrate
Kenny Morgan	Magistrate
David Wethington	Magistrate
Jamey Maupin	Magistrate

Other Elected Officials:

Thomas M. Weddle Jr.	County Attorney
Tommy Miller	Jailer
Casey Davis	County Clerk
Craig Overstreet	Circuit Court Clerk
Jerry Coffman	Sheriff
Eric Brown	Property Valuation Administrator
Thomas Clark	Coroner

Appointed Personnel:

Debra Vaughn	County Treasurer
Judy Allen	Deputy Judge/Executive

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CASEY COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2012

CASEY COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2012

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,562,362	\$ 124,043	\$ 1,686,405
Total Current Assets	<u>1,562,362</u>	<u>124,043</u>	<u>1,686,405</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	8,845		8,845
Land	1,236,500		1,236,500
Land Improvements	129,177		129,177
Buildings	13,696,007		13,696,007
Other Equipment	500,885	5,718	506,603
Vehicles and Equipment	214,752	1,814	216,566
Infrastructure	4,419,259		4,419,259
Total Noncurrent Assets	<u>20,205,425</u>	<u>7,532</u>	<u>20,212,957</u>
Total Assets	<u>21,767,787</u>	<u>131,575</u>	<u>21,899,362</u>
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	286,050		286,050
Total Current Liabilities	<u>286,050</u>		<u>286,050</u>
Noncurrent Liabilities:			
Revenue Bonds Payable	4,280,000		4,280,000
Financing Obligations Payable	3,100,981		3,100,981
Total Noncurrent Liabilities	<u>7,380,981</u>		<u>7,380,981</u>
Total Liabilities	<u>7,667,031</u>		<u>7,667,031</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 12,538,394	\$ 7,532	\$ 12,545,926
Restricted For:			
General Government	52,089		52,089
Debt Service	385		385
Unrestricted	<u>1,509,888</u>	<u>124,043</u>	<u>1,633,931</u>
Total Net Assets	<u>\$ 14,100,756</u>	<u>\$ 131,575</u>	<u>\$ 14,232,331</u>

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2012

CASEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,837,077	\$ 162,932	\$ 708,687	\$
Protection to Persons and Property	2,741,648	2,696,863	96,639	110,169
General Health and Sanitation	653,531	9,905		40,403
Social Services	14,155			
Recreation and Culture	244,498			
Roads	1,729,421		1,791,277	
Interest	262,556			
Total Governmental Activities	7,482,886	2,869,700	2,596,603	150,572
Business-type Activities:				
Jail Canteen	263,093	286,635		
Total Business-type Activities	263,093	286,635		
Total Primary Government	\$ 7,745,979	\$ 3,156,335	\$ 2,596,603	\$ 150,572

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2012
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (965,458)	\$	\$ (965,458)
162,023		162,023
(603,223)		(603,223)
(14,155)		(14,155)
(244,498)		(244,498)
61,856		61,856
(262,556)		(262,556)
(1,866,011)		(1,866,011)
	23,542	23,542
	23,542	23,542
(1,866,011)	23,542	(1,842,469)
281,388		281,388
44,093		44,093
62,458		62,458
1,018,830		1,018,830
106,334		106,334
686,323		686,323
36,086		36,086
2,235,512		2,235,512
369,501	23,542	393,043
13,731,255	108,033	13,839,288
\$ 14,100,756	\$ 131,575	\$ 14,232,331

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2012

CASEY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2012

	General Fund	Road Fund	Jail Fund	Non- Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 487,666	\$ 24,425	\$ 974,954	\$ 75,317	\$ 1,562,362
Total Assets	<u>487,666</u>	<u>24,425</u>	<u>974,954</u>	<u>75,317</u>	<u>1,562,362</u>
FUND BALANCES					
Restricted For:					
General Government				52,089	52,089
Debt Service				385	385
Assigned To:					
Protection to Persons and Property			974,954	22,843	997,797
Roads		24,425			24,425
Unassigned	<u>487,666</u>				<u>487,666</u>
Total Fund Balances	<u>\$ 487,666</u>	<u>\$ 24,425</u>	<u>\$ 974,954</u>	<u>\$ 75,317</u>	<u>\$ 1,562,362</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,562,362
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	25,824,724
Accumulated Depreciation	(5,619,299)
Long-term debt is Not Due and Payable in the Current Period and, Therefore, is Not Reported in the Funds.	
Revenue Bonds	(4,280,000)
Financing Obligations	(3,387,031)
Net Assets Of Governmental Activities	<u>\$ 14,100,756</u>

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

CASEY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
REVENUES			
Taxes	\$ 1,160,865	\$	\$
Excess Fees	106,334		
Licenses and Permits	19,007		
Intergovernmental	438,049	1,791,277	2,707,433
Charges for Services	34,521		66,686
Miscellaneous	318,447	205,753	188,456
Interest	11,011	7,600	16,064
Total Revenues	<u>2,088,234</u>	<u>2,004,630</u>	<u>2,978,639</u>
EXPENDITURES			
Current:			
General Government	1,000,182		
Protection to Persons and Property	87,819		2,079,937
General Health and Sanitation	99,155		
Social Services	912		
Recreation and Culture	289,624		
Roads		2,084,275	
Debt Service:			
Principal		65,110	244,712
Interest		3,383	134,923
Bond Issuance Cost			
Administration	604,172	221,628	538,845
Total Expenditures	<u>2,081,864</u>	<u>2,374,396</u>	<u>2,998,417</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>6,370</u>	<u>(369,766)</u>	<u>(19,778)</u>
Other Financing Sources (Uses)			
Bond Proceeds			
Bond Reoffering Premium			
Payment To Escrow Agent			
Transfers From Other Funds	18,459		
Transfers To Other Funds	(20,000)		(18,459)
Total Other Financing Sources (Uses)	<u>(1,541)</u>		<u>(18,459)</u>
Net Change in Fund Balances	4,829	(369,766)	(38,237)
Fund Balances - Beginning (Restated)	482,837	394,191	1,013,191
Fund Balances - Ending	<u>\$ 487,666</u>	<u>\$ 24,425</u>	<u>\$ 974,954</u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2012
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 243,223	\$ 1,404,088
	106,334
	19,007
443,273	5,380,032
	101,207
92,976	805,632
1,412	36,087
<u>780,884</u>	<u>7,852,387</u>
	1,000,182
209,785	2,377,541
	99,155
	912
	289,624
	2,084,275
300,000	609,822
234,250	372,556
61,100	61,100
44,063	1,408,708
<u>849,198</u>	<u>8,303,875</u>
<u>(68,314)</u>	<u>(451,488)</u>
4,280,000	4,280,000
42,972	42,972
(4,259,088)	(4,259,088)
20,000	38,459
	(38,459)
<u>83,884</u>	<u>63,884</u>
15,570	(387,604)
59,747	1,949,966
<u>\$ 75,317</u>	<u>\$ 1,562,362</u>

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

CASEY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ (387,604)
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	748,559
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Depreciation Expense	(711,277)
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The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Revenue Bond Proceeds	(4,280,000)
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Financing Obligations Principal Payments	309,823
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Revenue Bond Principal Payments	4,690,000
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Change in Net Assets of Governmental Activities	\$ <u>369,501</u>
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CASEY COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2012

CASEY COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2012

	Business-Type Activities - Enterprise Fund	Jail Canteen Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 124,043	
Total Current Assets	<u>124,043</u>	
Noncurrent Assets:		
Capital Assets:		
Other Equipment	114,350	
Vehicles and Equipment	36,260	
Less Accumulated Depreciation	<u>(143,078)</u>	
Total Noncurrent Assets	<u>7,532</u>	
Total Assets	<u>131,575</u>	
Net Assets		
Invested in Capital Assets,		
Net of Related Debt	7,532	
Unrestricted	<u>124,043</u>	
Total Net Assets	<u>\$ 131,575</u>	

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

CASEY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 329,444
Total Operating Revenues	<u>329,444</u>
Operating Expenses	
Cost of Sales	179,360
Educational and Recreational	55,804
Personnel Costs	6,153
Sales Tax	11,464
Sales Tax Penalty and Interest	1,146
Bank Service Charges	20
Depreciation	4,275
Miscellaneous	4,871
Total Operating Expenses	<u>263,093</u>
Operating Income (Loss)	<u>66,351</u>
Nonoperating Revenues (Expenses)	
Salary Reimbursement Paid to Fiscal Court	(3,786)
Inmate Pay From State	516
Inmate State Pay	(516)
Inmate Refunds	(29,066)
Inmate Balance Due To Inmate Fund	<u>(9,957)</u>
Total Nonoperating Revenues (Expenses)	<u>(42,809)</u>
Change In Net Assets	23,542
Total Net Assets - Beginning (Restated)	108,033
Total Net Assets - Ending	<u><u>\$ 131,575</u></u>

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

CASEY COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Cash Received From Customers - Canteen	\$ 329,444
Cash Payments To Suppliers for Goods and Services	(179,360)
Cash Payments for Educational and Recreational Goods and Services	(55,804)
Cash Payments to Contracted Personnel	(6,153)
Cash Payments for Miscellaneous Costs	(4,891)
Cash Payments to State - Sales Tax	(11,464)
Cash Payments to State - Sales Tax Penalties and Interest	(1,146)
Net Cash Provided (Used) By	
Operating Activities	<u>70,626</u>
Cash Flows From Noncapital Financing Activities	
Cash Payments to Fiscal Court - Salary Reimbursement	(3,786)
Cash Payments to Fiscal Court - Loan	(32,408)
Cash Payment Due to Inmate Fund	(9,957)
Cash Received From State - Inmate State Pay	516
Cash Payments to Inmates for State Pay	(516)
Cash Payments to Inmate for Refunds	(29,066)
Net Cash Provided (Used) By Noncapital	
Financing Activities	<u>(75,217)</u>
Net Increase (Decrease) in Cash and Cash	
Equivalents	(4,591)
Cash and Cash Equivalents - July 1, 2011 (Restated)	<u>128,634</u>
Cash and Cash Equivalents - June 30, 2012	<u><u>\$ 124,043</u></u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2012
(Continued)

	Business-Type Activities - Enterprise Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund
Operating Income (Loss)	\$ 66,351
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>4,275</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ 70,626</u></u>

The accompanying notes are an integral part of the financial statements.

CASEY COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2012

Agency Fund

**Inmate
Detention
Fund**

Cash and Cash Equivalents

\$ 9,957

Total Assets

9,957

Amounts Held In Custody For Others

9,957

Total Liabilities

9,957

Total Net Assets

\$ 0

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Casey County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organization provides their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. The organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Casey County Public Properties Corporation

In 2002, the Casey County Fiscal Court (Fiscal Court) established the Casey County Public Properties Corporation (the Corporation) for the purpose of financing the construction and installation of public projects in furtherance of the proper public purposes of Casey County. The Corporation consists of the five members of the Fiscal Court, which includes the Casey County Judge/Executive and the four magistrates and has a perpetual existence. Since Fiscal Court has complete authority over the entity, it is considered a component unit of Casey County. The financial information of the Corporation is blended with Casey County's financial statements.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Casey County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Casey County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Casey County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: State-Economic Development Fund, Emergency 911 Fund and the Casey County Public Properties Judicial Center Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, State-Economic Development Fund and the Emergency 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of significant restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Debt Service Fund:

The Casey County Public Properties Judicial Center Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Utility Tax Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Inmate Detention Fund - This fund accounts for funds received from jail inmates and returned to the inmates upon release.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-20
Other Equipment	\$ 2,500	3-25
Vehicles and Equipment	\$ 2,500	3-5
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the County Treasurer to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Public Properties Corporation because bond indentures and other relevant contractual provisions require specific payments to and from the fund annually. Department for Local Government does not require these funds to be budgeted.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information (Continued)

The Jail Canteen Fund is not budgeted by fiscal court because fiscal court does not approve the expenses of this fund.

J. Related Organizations and Joint Venture

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Casey County Fiscal Court: East Casey County Water District and the Casey County Emergency Ambulance Service District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered joint ventures of the Casey County Fiscal Court: The Economic Development Authority of Liberty/Casey County (with the City of Liberty), Liberty/Casey County Airport Board (with the City of Liberty), and the Liberty/Casey County Rescue Squad (with the City of Liberty).

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2012, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 3. Interfund Transfers

	General Fund	Jail Fund	Total Transfers In
General Fund	\$	\$ 18,459	\$ 18,459
Non-Major	20,000		20,000
Total Transfers Out	\$ 20,000	\$ 18,459	\$ 38,459

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Reporting Entity		
	Beginning Balance	Increases	Ending Balance
Primary Government:			
<u>Governmental Activities:</u>			
Capital Assets Not Being Depreciated:			
Land	\$ 1,236,500	\$	\$ 1,236,500
Construction In Progress		8,845	8,845
Total Capital Assets Not Being Depreciated	1,236,500	8,845	1,245,345
Capital Assets, Being Depreciated:			
Land Improvements	113,577	42,306	155,883
Buildings	16,607,248		16,607,248
Other Equipment	1,621,805	56,459	1,678,264
Vehicles and Equipment	875,190	35,081	910,271
Infrastructure	4,621,845	605,868	5,227,713
Total Capital Assets Being Depreciated	23,839,665	739,714	24,579,379
Less Accumulated Depreciation For:			
Land Improvements	(20,271)	(6,435)	(26,706)
Buildings	(2,558,035)	(353,206)	(2,911,241)
Other Equipment	(1,084,540)	(92,839)	(1,177,379)
Vehicles and Equipment	(601,771)	(93,748)	(695,519)
Infrastructure	(643,405)	(165,049)	(808,454)
Total Accumulated Depreciation	(4,908,022)	(711,277)	(5,619,299)
Total Capital Assets, Being Depreciated, Net	18,931,643	28,437	18,960,080
Governmental Activities Capital Assets, Net	\$ 20,168,143	\$ 37,282	\$ 20,205,425

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 245,397
Protection to Persons and Property	156,348
General Health and Sanitation	10,169
Social Services	13,243
Recreation and Culture	9,025
Roads, Including Depreciation of General Infrastructure Assets	<u>277,095</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 711,277</u>

Capital asset activity for Business-Type Activities for the year ended June 30, 2012 was as follows:

<u>Business-Type Activities:</u>	<u>Reporting Entity</u>			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 36,260	\$	\$	\$ 36,260
Other Equipment	114,350			114,350
Total Capital Assets Being Depreciated	<u>150,610</u>			<u>150,610</u>
Less Accumulated Depreciation For:				
Vehicles and Equipment	(34,446)			(34,446)
Other Equipment	(104,357)	(4,275)		(108,632)
Total Accumulated Depreciation	<u>(138,803)</u>	<u>(4,275)</u>		<u>(143,078)</u>
Total Capital Assets, Being Depreciated, Net	<u>11,807</u>	<u>(4,275)</u>		<u>7,532</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,807</u>	<u>\$ (4,275)</u>	<u>\$ 0</u>	<u>\$ 7,532</u>

Depreciation expense was charged to functions of the Business-Type Activities as follows:

Business-Type Activities

Jail Canteen	<u>\$ 4,275</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 4,275</u>

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 5. Long-term Debt

A. Casey County Public Properties Corporation First Mortgage Revenue Bonds, Series 2002

On February 1, 2002 the Casey County Public Properties Corporation issued \$6,735,000 First Mortgage Revenue Bonds, Series 2002 for the purpose of constructing a new Judicial Center facility for lease to the Administrative Office of the Courts. The bonds were to mature serially through August 1, 2022 and require annual principal payments due on August 1. Semi-annual payments of trustee fees and interest payments at a variable interest ranging: from 1.75% to 4.75% are due on February 1 and August 1 of each year.

As of June 30, 2012 the Casey County Public Properties Corporation refunded this bond issue with a different financial institution to obtain a lower interest rate. Therefore, as of June 30, 2012 total principal of \$4,690,000 was paid in full.

B. Casey County Public Properties Corporation First Mortgage Refunding Revenue Bonds, Series 2011

On November 2, 2011, Casey County Public Properties Corporation issued First Mortgage Refunding Revenue Bonds, Series 2011. Bond proceeds were used to refund the \$6,375,000 Casey County Public Properties Corporation First Mortgage Revenue Bonds, Series 2002, which was issued for the purpose of constructing a new Judicial Center Facility for lease to the Administrative Office of the Courts.

Casey County Public Properties Corporation First Mortgage Refunding Revenue Bonds, Series 2011 total principal was \$4,280,000 and will require annual principal payments due on August 1 beginning August 1, 2013 for a period of ten (10) years. Interest payments are due semi-annually at a varying rate, ranging from 2% to 3.25% due on February 1 and August 1 beginning February 1, 2012 for a period of ten (10) years. Principal outstanding as of June 30, 2012 was \$4,280,000.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$	\$ 118,850
2014	285,000	116,000
2015	390,000	109,250
2016	405,000	101,300
2017	415,000	91,025
2018-2022	2,285,000	256,675
2023	500,000	8,125
Totals	<u>\$ 4,280,000</u>	<u>\$ 801,225</u>

The Casey County Public Properties Corporation (Corporation), Casey County Fiscal Court and the Administrative Office of the Courts (AOC) entered into a lease agreement dated March 1, 2001, with a lease addendum dated February 1, 2002, wherein AOC shall lease from the Corporation the new judicial center at an agreed rental which is anticipated to pay 100% of the net debt service on the bonds.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 5. Long-term Debt (Continued)

C. General Obligation Lease

On April 12, 2011, Casey County Fiscal Court entered into a general obligation lease agreement with Fifth Third Bank for the purpose of refunding the Kentucky Area Development Districts (KADD) Leasing Trust Program lease which was used to fund a new detention facility. On May 2, 2011, Casey County Fiscal Court used these funds to pay off the existing KADD lease principal and interest due.

The general obligation lease total principal was \$3,639,523 and required one principal payment on June 1, 2011 of \$57,608 and requires annual principal payments due December 1 beginning on December 1, 2011 for a period of twelve (12) years. Interest payments are due semi-annually at a fixed rate of 3.90% due on December 1 and June 1 for a period of twelve (12) years. Principal outstanding as of June 30, 2012 was \$3,337,203. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 259,183	\$ 125,097
2014	263,327	114,908
2015	271,874	104,471
2016	279,883	93,712
2017	287,701	82,644
2018-2022	1,613,128	233,421
2023	362,107	7,061
Totals	<u>\$ 3,337,203</u>	<u>\$ 761,314</u>

D. Caterpillar Motor Grader

On June 29, 2007, the Casey County Fiscal Court entered into a five-year financing obligation with Caterpillar Financial Services Corporation for the purchase of a Caterpillar Motor Grader. Total principal amount was \$177,734 with an interest rate of 4.85%. The agreement required monthly payments of principal and interest. The outstanding principal was paid and the debt was retired during fiscal year ended June 30, 2012.

E. Road Patcher/Oil Tanker

On April 26, 2011, the Casey County Fiscal Court entered into a three-year financing obligation with the Monticello Banking Company for the purchase of a road patcher/oil tanker. Total principal amount was \$80,135, with an interest rate of 3.71%. The agreement requires monthly principal and interest payments. Principal outstanding as of June 30, 2012 was \$49,829. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 26,867	\$ 1,404
2014	22,962	397
Totals	<u>\$ 49,829</u>	<u>\$ 1,801</u>

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 5. Long-term Debt (Continued)

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 4,690,000	\$ 4,280,000	\$4,690,000	\$ 4,280,000	\$
Financing Obligations	3,696,854		309,823	3,387,031	286,050
Governmental Activities					
Long-term Liabilities	<u>\$ 8,386,854</u>	<u>\$ 4,280,000</u>	<u>\$ 4,999,823</u>	<u>\$ 7,667,031</u>	<u>\$ 286,050</u>

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The county's contribution for FY 2010 was \$439,991, FY 2011 was \$424,754, and FY 2012 was \$474,482.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 6. Employee Retirement System (Continued)

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Insurance

For the fiscal year ended June 30, 2012, Casey County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Subsequent Events

On January 25, 2012, Casey County Fiscal Court applied for a \$500,000 Kentucky Community Development Block Grant (CDBG) for the Casey County Community and Education Center Project. Total estimated project cost is \$3,286,268. Casey County Fiscal Court will commit \$250,000 in matching funds, City of Liberty will commit \$250,000, and Economic Development Authority of Liberty/Casey County will commit \$125,000 and City/County debt of \$1,661,268.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 9. Related Party Transactions

For the fiscal year ended June 30, 2012, Casey County Fiscal Court paid a total of \$15,231 to Wright Implement Company, Inc. for various road maintenance supplies. The County Judge/Executive's sister and sister-in-law own Wright Implement Company, Inc. The County's Code of Ethics states "no county officer, county employee, or immediate family member of the officer or employee, shall have an interest in a business, or engage in any business transaction, or activity, which is in substantial conflict with the proper discharge of the public duties of the officer or employee." It further defines "immediate family member" as spouse, child, or person claimed as a dependant for tax purposes; therefore, the County Judge/Executive is not in violation of the County's Code of Ethics. Furthermore, the County Judge/Executive excused himself from fiscal court meetings that involved Wright Implement Company, Inc. transactions. On February 21, 2000, the Casey County Board of Ethics confirmed there was no violation of the Code of Ethics.

Note 10. Prior Period Adjustments

- The net assets beginning balance for governmental activities was restated to decrease it by \$32,293 due to interfund balance of \$32,408 in the prior year, which was a loan to the Jail Canteen from the General Fund. In addition, there was a \$117 prior year outstanding check that was written off in the current fiscal year, and a \$2 adjustment due to rounding.
- Fund Balances – Beginning balances were restated to decrease it by \$32,293 due to reasons listed above.

**CASEY COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Supplementary Information**

June 30, 2012

CASEY COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Supplementary Information

June 30, 2012

	State Economic Development Fund	Emergency 911 Fund	Casey County Public Properties Judicial Center Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 52,089	\$ 22,843	\$ 385	\$ 75,317
Total Assets	<u>52,089</u>	<u>22,843</u>	<u>385</u>	<u>75,317</u>
FUND BALANCES				
Restricted For:				
General Government	52,089			52,089
Debt Service			385	385
Assigned To:				
Protection To Persons And Property		22,843		22,843
Total Fund Balances	<u>\$ 52,089</u>	<u>\$ 22,843</u>	<u>\$ 385</u>	<u>\$ 75,317</u>

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Supplementary Information

For The Year Ended June 30, 2012

CASEY COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Supplementary Information

For The Year Ended June 30, 2012

	State Economic Development Fund	Emergency 911 Fund	Casey County Public Properties Judicial Center Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$	\$ 243,223	\$	\$ 243,223
Intergovernmental			443,273	443,273
Miscellaneous			92,976	92,976
Interest	1,038	374		1,412
Total Revenues	<u>1,038</u>	<u>243,597</u>	<u>536,249</u>	<u>780,884</u>
EXPENDITURES				
Protection to Persons and Property		209,785		209,785
Debt Service:				
Principal			300,000	300,000
Interest			234,250	234,250
Cost of Bond Issuance			61,100	61,100
Administration		39,563	4,500	44,063
Total Expenditures		<u>249,348</u>	<u>599,850</u>	<u>849,198</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,038</u>	<u>(5,751)</u>	<u>(63,601)</u>	<u>(68,314)</u>
Other Financing Sources (Uses)				
Bond Proceeds			4,280,000	4,280,000
Bond Reoffering Premium			42,972	42,972
Payment to Escrow Agent			(4,259,088)	(4,259,088)
Transfer From Other Funds		20,000		20,000
Total Other Financing Sources (Uses)		<u>20,000</u>	<u>63,884</u>	<u>83,884</u>
Net Change in Fund Balances	1,038	14,249	283	15,570
Fund Balances - Beginning	51,051	8,594	102	59,747
Fund Balances - Ending	<u>\$ 52,089</u>	<u>\$ 22,843</u>	<u>\$ 385</u>	<u>\$ 75,317</u>

The accompanying notes are an integral part of the financial statements.

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CASEY COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis

For The Year Ended June 30, 2012

CASEY COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis

For The Year Ended June 30, 2012

GENERAL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,127,500	\$ 1,127,500	\$ 1,160,865	\$ 33,365
Excess Fees	96,354	96,354	106,334	9,980
Licenses and Permits	24,000	24,000	19,007	(4,993)
Intergovernmental Revenue	562,546	599,746	416,148	(183,598)
Charges for Services	41,500	41,500	34,521	(6,979)
Miscellaneous	193,500	312,597	318,447	5,850
Interest	10,000	10,000	10,908	908
Total Revenues	2,055,400	2,211,697	2,066,230	(145,467)
EXPENDITURES				
General Government	992,156	1,122,430	974,682	147,748
Protection to Persons and Property	63,144	89,274	85,819	3,455
General Health and Sanitation	107,000	138,288	99,155	39,133
Social Services	800	950	912	38
Recreation and Culture	330,450	413,465	289,624	123,841
Administration	661,850	790,712	604,172	186,540
Total Expenditures	2,155,400	2,555,119	2,054,364	500,755
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(100,000)	(343,422)	11,866	355,288
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	55,000	55,000	18,459	(36,541)
Transfers To Other Funds	(75,000)	(75,000)	(20,000)	55,000
Total Other Financing Sources (Uses)	(20,000)	(20,000)	(1,541)	18,459
Net Changes in Fund Balance	(120,000)	(363,422)	10,325	373,747
Fund Balance - Beginning	120,000	406,682	406,799	117
Fund Balance - Ending	\$ 0	\$ 43,260	\$ 417,124	\$ 373,864

CASEY COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis
For The Year Ended June 30, 2012
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,387,533	\$ 1,793,776	\$ 1,791,277	\$ (2,499)
Miscellaneous		202,310	205,753	3,443
Interest	7,500	7,500	7,600	100
Total Revenues	1,395,033	2,003,586	2,004,630	1,044
EXPENDITURES				
Roads	1,110,000	2,092,644	2,084,275	8,369
Debt Service	80,500	68,900	68,493	407
Administration	234,533	224,493	221,628	2,865
Total Expenditures	1,425,033	2,386,037	2,374,396	11,641
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(30,000)	(382,451)	(369,766)	12,685
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(55,000)	(55,000)		(55,000)
Total Other Financing Sources (Uses)	(55,000)	(55,000)		(55,000)
Net Changes in Fund Balance	(85,000)	(437,451)	(369,766)	(67,685)
Fund Balance - Beginning	85,000	394,191	394,191	
Fund Balance - Ending	\$ 0	\$ (43,260)	\$ 24,425	\$ (67,685)

CASEY COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis
For The Year Ended June 30, 2012
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 2,458,881	\$ 2,458,881	\$ 2,707,433	\$ 248,552
Charges for Services	14,500	14,500	66,686	52,186
Miscellaneous	88,100	88,100	188,456	100,356
Interest	16,000	16,000	16,064	64
Total Revenues	<u>2,577,481</u>	<u>2,577,481</u>	<u>2,978,639</u>	<u>401,158</u>
EXPENDITURES				
Protection to Persons and Property	1,885,742	2,108,560	2,079,937	28,623
Debt Service	741,739	741,739	379,635	362,104
Administration	850,000	627,182	538,845	88,337
Total Expenditures	<u>3,477,481</u>	<u>3,477,481</u>	<u>2,998,417</u>	<u>479,064</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(900,000)</u>	<u>(900,000)</u>	<u>(19,778)</u>	<u>880,222</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(18,459)	18,459
Total Other Financing Sources (Uses)			<u>(18,459)</u>	<u>18,459</u>
Net Changes in Fund Balance	(900,000)	(900,000)	(38,237)	861,763
Fund Balance - Beginning	<u>900,000</u>	<u>900,000</u>	<u>1,013,191</u>	<u>113,191</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 974,954</u>	<u>\$ 974,954</u>

CASEY COUNTY
NOTES TO OTHER INFORMATION

June 30, 2012

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of Budgetary Basis to Modified Cash Basis

General Fund

Revenues - Budgetary Basis	\$ 2,066,230
Add: LGEA Fund Revenues	<u>22,004</u>
Revenues - Modified Cash Basis	<u><u>2,088,234</u></u>
Expenditures - Budgetary Basis	2,054,364
Add: LGEA Fund Expenditures	<u>27,500</u>
Expenditures - Modified Cash Basis	<u><u>2,081,864</u></u>
Fund Balance - Beginning - Budgetary Basis	406,799
Add: LGEA Fund Beginning Balance	<u>76,038</u>
Fund Balance - Beginning - Modified Cash Basis	<u><u>\$ 482,837</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ronald D. Wright, Casey County Judge/Executive
Members of the Casey County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Casey County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 1, 2013. Casey County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Casey County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Casey County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Casey County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Casey County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2012-02, 2012-03, 2012-04, 2012-05, and 2012-06 to be material weaknesses.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2012-07, 2012-08, 2012-09, and 2012-10 to be significant deficiencies.

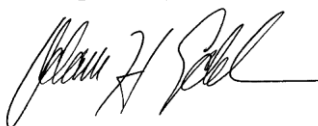
Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Casey County's financial statements as of and for the year ended June 30, 2012, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2012-01.

The Casey County Judge/Executive's and the County Jailer's responses to the findings identified in our audit are included in the comments and recommendations. We did not audit the County Judge/Executive and County Jailer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

February 1, 2013

**CASEY COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2012

**CASEY COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2012

STATE LAWS AND REGULATIONS

2012-01 The Fiscal Court Should Review And Update County Administrative Code Annually

During our review of payroll and expenditures, we noted the administrative code was out of date with what is actually happening within the county.

KRS 68.005(2) states “The fiscal court shall review the county administrative code annually during the month of June and may by a two-thirds (2/3) majority of the entire fiscal court amend the county administrative code at that time. The county judge/executive may at other times prepare and submit amendments to the code for the approval of a majority of the fiscal court.

We recommend the Fiscal Court review and update the County Administrative Code for the following:

- Personnel and payroll including compensated absences.
- Procurement procedures.
- Any new policies and procedures.

County Judge/Executive Wright's Response: The official did not respond.

INTERNAL CONTROL - MATERIAL WEAKNESSES

2012-02 The Fiscal Court Should Improve Purchase And Procurement Procedures

We tested one hundred twenty-five (125) expenditures from all of the Fiscal Court's budgeted funds and noted the following exceptions:

- Eight (8) invoices were not cancelled to prevent duplicate payments.
- Two (2) payments were not paid within thirty (30) working days.
- Two (2) credit card monthly statements were missing.
- Three (3) vendor invoices for road materials/paving were missing load/haul tickets to support vendor invoices.
- One (1) purchase order was dated subsequent to the date paid.
- Seven (7) invoices were cancelled incorrectly.

All invoices should be cancelled when paid to prevent duplicate payments. All original vendor invoices should be maintained including any supporting documentation which includes road materials load/haul tickets. All purchase orders should be approved and issued before the purchases are made or the work or service is performed. All credit card monthly statements should be maintained as support for the expenditure. All expenditures should be paid within thirty (30) working days.

Lack of proper accounting practices and internal controls increases the risk that misstatements of financial activity and/or fraud will occur and go undetected by the Fiscal Court. Without proper procedures in place to mitigate this risk, Fiscal Court is exposing public resources to potential misstatements and/or fraud.

CASEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2012
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES (Continued)

2012-02 The Fiscal Court Should Improve Purchase And Procurement Procedures (Continued)

KRS 65.140 states that “unless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor’s invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor’s subcontractor”. This statute further states “an interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved each month or fraction thereof after the thirty (30) working days which follow receipt of vendor’s invoice by the purchaser.”

We recommend Fiscal Court maintain all original vendor invoices including any supporting documentation, cancel actual invoices upon payment to prevent duplicate payments, maintain all credit card monthly statements, and approve and issue purchase orders before purchases are made or the work or service is performed. We also recommend the Fiscal Court pay all expenditures within thirty (30) working days in compliance with KRS 65.140.

County Judge/Executive Wright’s Response: Have corrected this.

2012-03 The Jail Canteen Lacks Adequate Segregation Of Duties

A lack of segregation of duties exists over all jail canteen accounting functions. The Jailer’s bookkeepers receive the mail, collect money, issue receipts, prepare and deposit receipts, and write checks with no documented oversight by the Jailer. No bank reconciliations on bank accounts are prepared or reviewed. Adequate segregation of duties would prevent the same person or persons from having a significant role in the receiving processing, recording, and reporting of receipts and disbursements. The Jailer should strengthen internal controls by either segregating the duties or by implementing and documenting compensating controls. If one employee is solely responsible for the receipt, disbursement, and reporting and reconciling process, the risk of misappropriation of assets and/or inaccurate financial reporting increases.

We recommend the Jailer separate the duties in preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. We also recommend the Jailer require two signatures on checks with one being the Jailer. If these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employee(s) responsible for these duties. Any compensating controls performed should be documented with date and initials.

County Jailer Miller’s Response: This has been a recurring recommendation by the auditors but due to us being a small county and have limited funds I the jailer feels that the number of people that works with canteen is what the jail financially can support. We have been using the two signatures since last audit and have started using two line checks that was recommended by audit.

County Judge/Executive Wright’s Response: The official did not respond.

CASEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2012
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES (Continued)

2012-04 The Jailer Should Prepare An Accurate Annual Jail Canteen Financial Report

During our review of the Jail Canteen, we noted the individual responsible for accounting and reporting functions did not properly record all financial transactions in the accounting records. Therefore, the annual Jail Canteen financial report was not prepared properly. For fiscal year ended June 30, 2012, the financial report required material adjustments to properly report its operations.

We recommend the Jailer ensure the Jail Canteen receipts and disbursements are properly recorded and accounted for and the annual Jail Canteen financial report is accurate

County Jailer Miller's Response: The jail has implemented all the recommendations from last audit which was conducted late last year. This audit was conducted within a couple months after last audit and not enough time had elapsed from prior audit for all issues to be resolved. We have new staff and new accounting system which has resolved these issues. The reason for the error in the reports was we were using two different vendors and the one vendor was not reporting their reports in a timely manner.

County Judge/Executive Wright's Response: The official did not respond.

2012-05 The Jailer Should Maintain Accurate Accounting Records For The Jail Canteen Account

During Auditor's testing of the Jail Canteen Account, we noted the following deficiencies:

- Daily checkout sheets did not include sufficient detail of receipts collected.
- Daily checkout sheets were missing for August 2011, May 2012 and June 2012.
- Receipts journal did not include sufficient detail of receipts collected.
- Disbursements journal did not include all disbursements paid to vendors.
- Disbursements journal did not include sufficient detail of disbursements.
- Monthly bank reconciliations were not prepared.

The Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual outlines the following minimum accounting and reporting requirements pursuant to KRS 68.210:

- Detailed Daily Checkout Sheet.
- Detailed Receipts Journal.
- Detailed Disbursements Journal.
- Jail Commissary Summary and Reconciliation.

We recommend the Jailer comply with the above requirements by preparing detailed daily checkout sheets, posting detailed receipts daily to a receipts journal, and reconciling the daily checkout sheets to daily deposits and receipts journal, posting daily disbursements to a disbursement journal indicating what the disbursement is for, and preparing monthly bank reconciliations. All these records should be reviewed periodically by a responsible individual and review documented by initials and date.

CASEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2012
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES (Continued)

2012-05 The Jailer Should Maintain Accurate Accounting Records For The Jail Canteen Account (Continued)

County Jailer Miller's Response: Since the last audit the current audit was conducted and not enough time had passed in order to get new accounting system and the past recommendations of audit to be implemented before the next audit was conducted. These issues have been resolved.

County Judge/Executive Wright's Response: The official did not respond.

2012-06 Internal Controls Over Jail Canteen Disbursements Should Be Strengthened

During our testing of forty-one (41) Jail Canteen disbursements, we noted the following deficiencies:

- Twenty-six (26) invoices showed no evidence of approval for payment.
- Seven (7) invoices were not cancelled to prevent duplicate payments.
- Twenty-two (22) disbursements for payment were not posted to a disbursements ledger.
- Only one signature on checks is required.
- Four (4) missing invoices.
- \$3,566 in missing purchase receipts for the John Deere Charge Account.

We recommend that all invoices be approved before payment and the approval should be documented. All invoices should be cancelled (check number and date paid) to prevent duplicate payments. In addition, all disbursements should be posted to a disbursements ledger and the Jailer should require two signatures on checks with one being the Jailer. We further recommend that all purchase receipts for charges made to either credit cards or charge accounts be maintained and included with each monthly statement.

County Jailer Miller's Response: Once again due to rapid back to back audits these issues had been recommended in prior audit and had been addressed but sufficient time had not elapsed before current audit had occurred and is reflected in this audit. These recommendations has been implemented and corrected. We are only using one software vendor not multiple which was causing us issues with the reporting deadlines.

County Judge/Executive Wright's Response: The official did not respond.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES

2012-07 The Fiscal Court Should Not Pay The Dog Warden's Salary In Addition To Contract Labor Costs

During our review of expenditures and payroll, we noted the Dog Warden was receiving a payroll check for which he received a W-2, and received a \$400 a month expense allowance for which he received a 1099. The Fiscal Court can either hire an individual as a county employee or hire the individual as contract labor but not both.

CASEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2012
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES (Continued)

2012-07 The Fiscal Court Should Not Pay The Dog Warden's Salary In Addition To Contract Labor Costs
 (Continued)

We recommend the Fiscal Court implement one of the following options:

- Increase the Dog Warden's salary to include the \$400 a month expense allowance and include on the employees W-2;
- Keep the Dog Warden's payroll salary the same and require the Dog Warden to prepare a travel/expense voucher at least monthly and turn in receipts for reimbursement

County Judge/Executive Wright's Response: The official did not respond.

2012-08 The Fiscal Court Should Maintain Proper Records For The Public Properties Corporation Judicial Center Fund

Since the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation (PPC), this entity is reported as a blended component unit of the Fiscal Court. During our review of cash we noted the Fiscal Court did not maintain ledgers for receipts and disbursements, did not prepare bank reconciliations, and did not prepare financial statements for fiscal year ended June 30, 2012 for PPC's Judicial Center Fund.

We recommend the Fiscal Court prepare and maintain ledgers for receipts and disbursements for the PPC's Judicial Center Fund. We also recommend that bank reconciliations be prepared monthly on all PPC bank accounts. We further recommend the Fiscal Court prepare end of the year financial statements for the PPC's Judicial Center Fund.

County Judge/Executive Wright's Response: Will be corrected.

2012-09 The Fiscal Court Should Strengthen Internal Controls Over Payroll

During our review of payroll, we noted the following:

- Numerous personnel files did not include all necessary information such as position held, hire date and rate of pay.
- Three (3) out of fifteen (15) employees tested did not prepare a timesheet.
- Five (5) employee's timesheets/timecards were not signed by their immediate supervisor and/or the County Judge/Executive.
- Various employee withholdings did not agree to vendor invoices withholding amounts.

In addition the Fiscal Court's personnel policy indicates the county will pay 100% of employee health insurance for single coverage but testing revealed the county pays 80% and the employee pays 20% and any additional coverage is paid by the employee.

CASEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2012
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES (Continued)

2012-09 The Fiscal Court Should Strengthen Internal Controls Over Payroll (Continued)

KRS 337.320(1) requires that “every employer shall keep a record of: (a) The amount paid each pay period of each employee; (b) the hours worked each day and each week by each employer; (c) and such other information as the executive director requires.” Timesheets should be kept for payroll verification and as a record of leave time used and to document employees are working at least the minimum number of hours to be eligible for full-time benefits such as retirement and health insurance. The employee and the appropriate supervisor should sign all timesheets.

We recommend the Fiscal Court strengthen internal controls over the payroll process to ensure timecards/timesheets are prepared each pay period for all employees except elected officials, are submitted and signed by employees, and approved by supervisors. We also recommend personnel files be updated to include hire date, position title/description, pay rates, state/federal withholding and citizenship forms, authorization for deductions, and any waivers applicable to payroll. In addition, we recommend a periodic review of compensated absences to ensure employees are not being paid for time not earned. Finally, we recommend the Fiscal Court review their administrative code to ensure compliance with their code.

County Judge/Executive Wright's Response: The official did not respond.

2012-10 Internal Controls Over Updating And Maintaining Capital Assets Addition List Should Be Strengthened And Insurance Policy Should Be Updated

During our review of capital asset additions, we noted the additions listing was not complete for fiscal year ended June 30, 2012. We found additional capital assets that needed to be included on the listing. We also reviewed the insurance policy statement of values and noted there were capital asset additions that were not included. In addition, several items tested were not properly supported and/or approved.

We recommend all assets purchased during the fiscal year meeting the capitalization thresholds for each category be included on the capital assets additions list and included on the Fiscal Court's insurance policy at the correct values. We further recommend that all capital assets purchased be properly supported and/or approved by fiscal court.

County Judge/Executive Wright's Response: This is being corrected.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

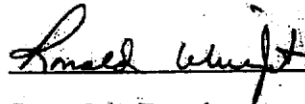
CASEY COUNTY FISCAL COURT

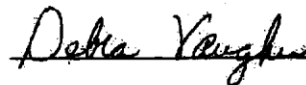
**For The Fiscal Year Ended
June 30, 2012**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CASEY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2012

The Casey County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


County Judge/Executive


County Treasurer

